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Viewing cable 08MANAGUA1396, NICARAGUA: ECONOMIC ROUNDTABLE TALKS GLOBAL

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#08MANAGUA1396**.

Reference ID	Created	Released	Classification	Origin
08MANAGUA1396	2008-11-18 20:58	2011-08-30 01:44	CONFIDENTIAL	Embassy Managua

Appears in these articles:

<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758456.aspx>
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758467.aspx>
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758468.aspx>
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<http://www.confidencial.com.ni/articulo/3966/la-ldquo-injerencia-rdquo-de-ee-uu-en-el-2006>
<http://www.nacion.com/2011-05-23/Mundo/Relacionados/Mundo2758764.aspx>
<http://www.nacion.com/2011-05-23/Mundo/NotaPrincipal/Mundo2758753.aspx>
<http://www.confidencial.com.ni/articulo/4041/millones-de-dolares-sin-control-y-a-discrecion>
<http://www.confidencial.com.ni/articulo/4040/la-ldquo-injerencia-rdquo-de-venezuela-en-2006>
<http://www.confidencial.com.ni/articulo/4047/rodrigo-barreto-enviado-de-ldquo-vacaciones-rdquo>
<http://www.nacion.com/2011-05-16/Mundo/NotasSecundarias/Mundo2757239.aspx>
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<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2746673.aspx>
<http://www.confidencial.com.ni/articulo/3991/dra-yadira-centeno-desmiente-cable-diplomatico-eeuu>
<http://www.confidencial.com.ni/articulo/3968/pellas-pronostico-a-eeuu-victoria-de-ortega-en-2006>
<http://www.confidencial.com.ni/articulo/3967/barreto-era-ldquo-fuente-confiable-rdquo-para-eeuu>

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TO RUEHC/SECSTATE WASHDC 3405
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHEHNSC/NSC WASHINGTON DC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC
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E.O. 12958: DECL: 11/13/2028
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [NU](#) [PGOV](#) [PREL](#)
SUBJECT: NICARAGUA: ECONOMIC ROUNDTABLE TALKS GLOBAL
FINANCIAL CRISIS AND MUNICIPAL ELECTIONS

Classified By: Amb Robert J. Callahan for reasons 1.4 b & d.

11. (C) Summary. Private sector leaders and economists at the Ambassador's inaugural economic roundtable on November 4 focused on the impact of the global financial crisis and the November 9 municipal elections. The main impact of the global financial crisis in Nicaragua appears to be more expensive credit, a slowdown in remittances, and a lower demand for certain exports to the United States as a result of recession. Participants also decried the effects of Ortega's anti-U.S. rhetoric on foreign direct investment. Most Nicaraguan elites will try to weather the Ortega administration, shifting operations to neighboring countries whenever possible. Most believed that voter turnout was critical if the opposition were to have a chance at pulling off key victories in the municipal elections, particularly in Managua. End Summary.

Global Financial Crisis: Effects on Nicaragua

12. (C) According to Luis Rivas of BANPRO, Nicaragua's largest bank, the Nicaraguan economy was experiencing a decline even before the financial crisis broke in the United States. That Nicaragua's major trading partner is experiencing recession can only negatively affect exports. Other consequences yet to express themselves will be the lack of liquidity, a slowdown in remittances, and more expensive credit.

Investment and Rhetoric

13. (C) All participants agreed that President Ortega's reckless anti-U.S. rhetoric negatively influences Nicaraguan investment decisions. Regrettably, they also concurred that the FSLN seems indifferent to world opinion-as long as it can achieve its principal objective of consolidating power. A finance professor at a prestigious local university even suggested that Ortega feels uncomfortable when the economy is doing well; he has one of those personalities that prefers chaos. Ortega prefers to solve problems by depending upon the largesse of his ALBA (Bolivarian Alternative for the Americas) partner Hugo Chavez. During the 1980's Ortega's main source of support was the Soviet Union. Chavez now plays the role of the Soviets in a similar client-state model.

14. (C) Mario Arana, head of a prominent think tank, stated that the FSLN moderate group, led by Senior FSLN Economic Advisor Bayardo Arce, has so far prevailed in terms of economic policymaking. Although Ortega is much more radical and prone to taking extreme positions, if politically feasible, macroeconomic policymaking has not diverged much from the previous administration. Nonetheless, for political reasons, country risk has been rising by some (not necessarily all) measures. Interest on short term dollar deposits in Nicaragua has risen, but insurance rates have not changed.

Nicaraguan Municipal Elections

15. (C) There was considerable discussion of municipal elections then less than a week away. Mario Arana predicted that if there were a large vote-count difference between the opposition and the FSLN, it would be difficult for the Sandinistas to commit fraud. If the difference were small, it would be easier to manipulate the results. Comment: Arana's prediction was prophetic. The vote difference was too great to mask the wholesale fraud the FSLN appears to have committed. End Comment.

16. (C) Participants thought that the primary motivation to vote for the FSLN was personal economic gain from backing the right political horse-property interests, business favors, etc. Another participant, representing Nicaragua's largest bank, opined that, with former President Arnaldo Aleman involved, the municipal elections could well strengthen

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relations between the Constitutional Liberal Party (PLC) and the FSLN, through the infamous "Pacto" they share. One of the other attendees concurred: if Montealegre loses, the result will consolidate the "Pacto". Alternatively, if Montealegre wins, it could usher in a new three-party power structure in Nicaraguan politics (Vamos con Eduardo, the PLC, and the FSLN).

The Nicaraguan Elites: Ready Refugees, Again?

17. (C) The Ambassador asked roundtable participants whether they were likely to leave Nicaragua should the FSLN pursue 1980s-style harassment tactics. Luis Rivas responded by saying that when businesspeople returned to Nicaragua in the 1990s, they spread their operations throughout Central America as a way of diversifying risk. This allows them to relocate to El Salvador or Costa Rica, if the situation in Nicaragua becomes untenable. Ramiro Ortiz of BANPRO observed that Nicaraguan college students studying abroad are already making the decision not to return. On the other hand, their parents who are established here show no desire to leave, some of them for a second time. It is, after all, not easy to start over again in another country, another business, or another culture. Moreover, the current global financial crisis limits options.

COMMENT

18. (C) The observation that the FSLN is indifferent to world opinion seems spot-on following the apparent fraud and aftermath surrounding the November 9 municipal elections here. Most of these prominent figures in the business community appear ready to ride out the rest of Ortega's tenure. Those who can will likely continue to shift focus to regional projects.

19. (SBU) Roundtable participants were the following:

--Duilio Baltodano, President Cisa Agro (a wholesaler)

--Luis Rivas, General Manager BANPRO (Nicaragua's largest

bank)

--Mario Salvo, Former Minister of Agriculture
and owner of Eskimo, the nation's largest dairy producer

--Mario Arana, Former Central Bank President and current
Executive Director FUNIDES (an economic think tank)

--Eduardo Montiel, Professor of Finance, INCAE
(Central American Business School)

--Gabriel Solorzano, President BANEX (with 60,000 clients,
the nation's largest microfinance bank, formerly FINDESA)

--Ramiro Ortiz, Director BANPRO (owner, second largest bank)

--Mario Alonso, Former President Central Bank

--Roberto Bendana, former head of the Competitiveness
Commission and President of Cafe Don Paco, a coffee exporter.
CALLAHAN